

## Wheat Prospects . . . New Wheat Varieties . . . Rice Trade . . . Biotech Crops . . . Mexican Supermarkets . . . Melon Consumption

### Record U.S. Wheat Yields Pressure Prices in 1998/99

**Large back-to-back wheat production** in the U.S. and globally, along with weak demand, is driving down prices. This contrasts starkly with the situation just 3 years ago when low global stocks, modest U.S. production, and relatively strong demand elevated the season-average farm price to a record \$4.55 per bushel. This season, another large U.S. crop and the absence of any major weather problems in most other wheat-producing countries will lead to further gains in U.S. stocks. Several key wheat-importing countries are expected to maintain or reduce import levels because of increased domestic supplies. As a result, the U.S. season-average farm price may fail to break \$3 for the first time since 1990/91. A record winter wheat yield, coupled with a forecast higher spring wheat yield (including durum), has put the U.S. all-wheat yield at a forecast record 42.6 bushels per acre, surpassing 40 bushels for the first time.

### Hard White Wheat: A Promising Option for Farmers?

**The introduction of promising varieties of hard white wheat (HWW)**, pending possible release next year, has raised speculation about whether wheat growers in Kansas and elsewhere in the Great Plains might make a dramatic switch from hard red to hard white wheat. University and industry studies show that HWW has a relatively high milling extraction rate and quality characteristics suitable for whole-wheat bread, oriental noodles, and other products. However, several agronomic and economic factors will help determine the speed and extent of its adoption, and HWW must establish its advantages with users as well as growers.

### World Rice Trade Soars to Record

**World rice trade in 1998** is projected to be a record 23.4 million tons, up 24 percent from last year and more than 11 percent higher than the previous record in 1995. This year's robust trade is primarily



driven by weather-related production problems, mostly caused by the 1997/98 El Niño, which have severely reduced crops in several major importing countries in South and Southeast Asia and across much of Latin America. Rice trade in 1999 is projected at 20.2 million tons, 14 percent below the 1998 record, but still the third highest on record.

### Farmers Rapidly Adopting Biotech Field Crops

**U.S. farmers have weighed in** resoundingly in favor of the new genetically modified crop varieties that feature resistance to pests and the ability to tolerate herbicides. Farmers' rapidfire adoption of these varieties—area has soared to about 50 million acres in just 3 years in the market—has been propelled by potential cost savings and reductions in input use. The second wave of genetic modification will focus on product or output traits such as improved nutritional qualities and processing characteristics.

Genetically modified crops now on the market reflect very substantial investments by the private sector. Reports on the effectiveness of the new varieties are generally

favorable, and users have indicated that the higher cost of the seed is offset by reduction in chemical costs. But adoption by farmers has been so rapid and the technology is so new that only limited assessment of economic, agronomic, and environmental impacts has been made. There are concerns about potential buildup of resistance by insects and weeds, and trade issues have arisen as other countries, notably the European Union, have lagged the U.S. in the approval of genetically modified crops. The impacts, problems, and solutions will become more evident as the technology evolves.

### Supermarkets Reshape Mexico's Produce Distribution System

**The Mexican produce distribution system** is in the midst of major structural change. Although small, specialized produce shops or stalls account for the bulk of consumer produce purchases, supermarket chains are rapidly gaining market share and challenging the capacity of the produce distribution network. The emerging marketing system is changing not only the kinds of produce demanded by Mexican households, but its quality, consistency, packaging, and handling. U.S. producers may have a window of opportunity for providing Mexican supermarkets the quality and consistency of produce the Mexican distribution system cannot yet deliver.

### Melon Consumption Shows Steady Growth in 1990's

**Per capita consumption of melons** continues to trend higher in the 1990's, growing 24 percent since the decade began, and reaching 30.4 pounds in 1997. Among the factors in consumption growth are year-round demand and availability, increasing health consciousness among consumers, strong economic growth, and more creative marketing. Melon sales have benefited from pre-cut product displays and in-store salad bars that have become mainstays of retail produce marketing in the 1990's. The annual retail value of all melons, including imports, likely averages \$3 billion-\$4 billion.